EU/Andorra and San Marino Association Agreement

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PURPOSE: to conclude, on behalf of the European Union, of the Agreement establishing an association between the European Union and the Principality of Andorra and the Republic of San Marino respectively.

PROPOSED ACT: Council Decision.

BACKGROUND: based on the negotiating directives adopted by the Council in December 2014, the Commission has negotiated a far-reaching association agreement with Andorra and San Marino providing for the participation of these countries in the European Union's internal market and for cooperation outside the four freedoms. In its conclusions adopted in June 2022, the Council called on the Commission to finalise the negotiations by the end of 2023. On 7 December 2023, the negotiations were completed and an Association Agreement was agreed at the level of the Chief Negotiators. The negotiations were conducted in consultation with the Council's European Free Trade Association (EFTA) Working Party. The European Parliament has been informed about the outcome of the negotiations.

CONTENT: the Commission proposal aims to conclude the Agreement establishing an association between the European Union and the Principality of Andorra and the Republic of San Marino respectively.

The Association Agreement:

- provides for the participation of these two countries to a homogenous extended internal market under equal conditions of competition and respect of the same rules;

- includes aspects on **financial services**. Access to the internal market in this area will be **progressive** and will depend on a successful audit of the robustness of the associated States' regulatory and supervisory frameworks. The Agreement allows for a **staggered access** to the EU's internal market for financial services, whereby Andorra and San Marino may decide not to seek access to the entire EU internal market for financial services. This possibility should not last longer than **15 years** after the entry into force of the Agreement. In light of the specificities of Andorra and San Marino and the related specific rules and provisions introduced to cater for orderly and sound market integration, it was necessary to subject market access in the area of financial services to specific additional safeguards to those that govern relations between Member States in the internal market, in particular regarding the requirements on local provision of services and emergency powers of the European Supervisory Authorities;

- states that compliance with the **anti-money laundering** acquis will be a pre-condition, and the European Supervisory Authorities will play a central role in the audition process;

- establishes a framework to develop and promote dialogue and cooperation in areas of common interest, such as research and development, education, social policy, the environment, consumer protection, culture or regional cooperation;

- establish a coherent, effective, and efficient **institutional framework**, including: (i) the consistent interpretation and application of the Agreement in line with the case-law of the European Court of Justice; and (ii) a dispute settlement mechanism with the European Court of Justice as the ultimate arbiter for disputes on the interpretation and application of the Agreement.